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June 18, 1948

Dear Admiral Souers:

I am enclosing a memorandum prepared in the Department's Office of American Republic Affairs with regard to security measures in the oil fields of Venezuela. In view of the provisions of the proposed NSC Directive (reference NSC-10) regarding an Office of Special Projects, I believe that the contents of the memorandum might appropriately be referred to the Staff of the National Security Council for study and recommendations.

Sincerely yours,

George F. Kennan
Director
Policy Planning Staff

Enclosure:

Memorandum regarding oil fields of Venezuela.

Admiral Sidney W. Souers,
Executive Secretary,
National Security Council.

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S/P - Mr. Butler

ARA - Mr. Daniels

June 11, 1948

The Venezuelan petroleum industry is the second largest producer in the world with an output of around 1,300,000 barrels daily which provides this country with approximately one-fifth its annual petroleum requirements. The uninterrupted supply of petroleum from that country is therefore of strategic importance to the United States.

During the last war security measures were taken by the United States Government (through the Army and FBI) in cooperation with the Venezuelan Government for protection of the petroleum companies' facilities in the Maracaibo basin and the eastern Venezuelan fields. When that emergency ended, however, these protective measures were discontinued.

Since the war communists from Europe are reported to have succeeded in gaining entry into and establishing themselves in Venezuela. Since early April of this year the Department has received a series of warnings that international communist elements in Venezuela are planning to cripple the war potential of the United States by sabotaging petroleum installations in that country.

For the past two months the Embassy at Caracas and the Department have been endeavoring to assist an ad hoc petroleum industry committee set up in Caracas to make arrangements to assure the industry's security. In particular the Department has tried to locate top rate experts who could make a survey on installation protection. Since the Department has no qualified personnel to undertake this work, it has approached other agencies of the Government with the request that there be made available the services of such trained and experienced persons. These approaches have been fruitless.

The largest American producing company in Venezuela, Creole (Standard of New Jersey), on June 8, 1948 informed the Department that in view of our unsuccessful efforts to find experts to conduct such a survey, it is arranging to have such work done for its installations alone by the Pinkerton Detective Agency. The Department is suggesting to our Ambassador in Caracas that he advise the other principal American producers to take similar action.

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Such individual surveys may to a considerable extent meet the protection problems of individual companies, but they will not provide a needed overall check on the security situation of the Venezuelan petroleum industry as a whole.

I recommend that your committee give urgent study to the problem with a view to presenting it in a formal paper for the consideration of the National Security Board and the President. I consider a decision should be reached without delay as to what branch of the Government is responsible for keeping the Government of the United States currently and continuously informed as to the vulnerability of the Venezuelan petroleum industry and for providing expert advice to the Venezuelan Government, the American Government and the petroleum industry of Venezuela as to actions required in order to reduce the danger of sabotage to this vital source of a product essential to our security.

I understand the need of a decision has been the subject of correspondence between the Special Assistant, Research and Intelligence (Mr. Armstrong)